US Market Wrap - 1st June 2026

Risk assets mixed on Iran threats and Israel/Hezbollah ceasefire

- **SNAPSHOT**: Equities mixed, Treasuries down, Crude up, Dollar up, Gold down
- **REAR VIEW**: Iran responds to Israeli aggression in Lebanon by halting negotiations and closing Hormuz and Bab al-Mandab Straits; Trump brokers Hezbollah/Israel ceasefire agreement; MSFT and NVDA announce RTX Spark; ISM Manufacturing PMI Beats, Prices ease, Employment rises; Fed's Powell said Fed will lose credibility if Trump removes officials over policy; OPEC to raise output quotas for July by 188k per day.
- **COMING UP**: **Data**: South Korean CPI (May), EZ CPI (May), JOLTs Job Openings (Apr), RCM/TIPP Economic Optimism, New Zealand Export/Import Prices (Q1) **Events**: NBP Policy Announcement (Jun) **Speakers**: Fed's Kashkari, Hammack; BoE's Bailey, Greene; ECB's Vujcic **Supply**: Japan, UK, Germany **Earnings**: Dollar General, Palo Alto, ULTA Beauty

MARKET WRAP

US equities ultimately closed mostly higher on Monday, although gains were concentrated in large-cap tech, while the Russell 2000 underperformed and broader sector breadth remained weak outside of Technology and Energy.

Technology was supported by strength in mega-cap names Nvidia and Microsoft after the companies unveiled a new Windows AI superchip, which also lifted related names including Dell, HP and Arm.

Energy outperformed following a raft of geopolitical headlines, with the key update coming from Tasnim, which reported that Iran had halted message exchanges with the US via mediators and was threatening to completely block both the Bab al-Mandab Strait and the Strait of Hormuz. However, sentiment improved through the afternoon as subsequent headlines were more constructive, namely, Trump announcing a Hezbollah/Israel ceasefire, allowing crude prices to retreat from peaks, although both benchmarks still settled firmly higher.

The move higher in crude weighed on Treasuries and lifted the Dollar against most major peers, while precious metals also came under pressure. USD/JPY continued to edge towards the 160 level, a threshold that markets continue to monitor for potential intervention.

On the data front, US ISM Manufacturing surprised to the upside, with a stronger-than-expected headline print accompanied by firmer employment and easing price pressures.

Treasuries later pared some losses after President Trump announced an Israel-Hezbollah ceasefire, helping yields come off session highs.

Looking ahead, focus turns to JOLTS on Tuesday, followed by ADP and ISM Services on Wednesday, before Friday's key nonfarm payrolls report.

US

ISM MANUFACTURING PMI : The headline ISM Manufacturing PMI print for May rose to 54.0 from 52.7, above the 53.0 consensus. The jump was supported by gains in New Orders to 56.8 from 54.1 and Production to 54.3 from 53.4. Prices, however, saw a welcome drop, albeit remaining elevated at 82.1 from 84.6. Employment meanwhile rose to 48.6 from 46.4. The backlog of orders index rose to 52.2 from 51.4. The higher than expected print is a welcome sign for the US economy, particularly when coupled with upside in employment and an easing of inflation. Respondents broadly highlighted that the escalation in Middle East tensions, particularly around Iran, is driving higher energy and fuel costs, which are feeding through into broader input cost inflation and pressuring profitability. Many firms also cited supply chain disruptions, shipment delays and material shortages, particularly in semiconductors and critical raw materials, with concerns these constraints could worsen if geopolitical tensions persist. Alongside this, uncertainty around tariffs and the wider geopolitical backdrop is making customers more cautious, with some delaying spending commitments and resisting price increases. That said, demand has remained resilient in some pockets, with several respondents still reporting stronger-than-expected sales growth, though optimism is tempered by concerns that sustained higher costs and prolonged instability could squeeze margins and weaken activity going forward.

FIXED INCOME

T-NOTE FUTURES (U6) SETTLE 7 TICKS LOWER AT 109-19+

T-notes bear flattened on Monday as crude prices rallied, although yields came off session highs after President Trump announced an Israel-Hezbollah ceasefire. At settlement, 2-year +4.9bps at 4.051%, 3-year +4.8bps at 4.097%, 5-year +4.7bps at 4.186%, 7-year +4.4bps at 4.324%, 10-year +4.0bps at 4.477%, 20-year +2.5bps at 4.992%, 30-year +1.9bps at 4.993%.

THE DAY: T-notes continued to track swings in crude amid volatile trade. Treasuries hit session lows during the US morning as crude rallied to peaks after Tasnim reported that Iran had halted message exchanges with negotiators due to Israeli actions in Lebanon and Gaza. Iran also warned it would fully shut both the Strait of Hormuz and the Bab al-Mandab Strait.

However, Treasuries recovered from lows after President Trump posted that he had spoken with both Israel and Hezbollah, with both sides agreeing to cease hostilities. The headline saw crude pare a portion of its earlier gains, although oil still settled firmly higher, leaving the curve bear flatter into settlement.

T-notes saw only a modest reaction to the stronger-than-expected ISM Manufacturing PMI, which was accompanied by firmer employment and easing price pressures.

Attention remains firmly on geopolitics and crude price swings, while focus also turns to Friday's May nonfarm payrolls report.

STIRS/OPERATIONS

- Fed Pricing: Dec 17.9bps
- EFFR at 3.62% (prev. 3.62%), volumes at USD 109bln (prev. USD 106bln) on May 29th
- SOFR at 3.63% (prev. 3.62%), volumes at USD 3.201tln (prev. USD 3.139tln) on May 29th
- NY Fed RRP op demand at 1.30bln (prev. 11.68bln) across 5 counterparties (prev. 11) on June 1st

CRUDE

WTI (N6) SETTLED USD 4.80 HIGHER AT 92.16/BBL; BRENT (Q6) SETTLED USD 3.86 HIGHER AT 94.98/BBL

The crude complex was notably firmer to start the week, albeit settled off highs amid some more constructive Middle East reporting. The big market mover came just prior to the US cash equity open, whereby Tasnim reported Iran has stopped exchanging messages with the US via mediators, and will "completely" block the Bab al-Mandab Strait and Strait of Hormuz in response to Israeli crimes in Lebanon and Gaza. As such, WTI and Brent saw a kneejerk higher before gradually extending to highs in the US afternoon. Following that, some of the reporting was more risk-positive, which saw benchmarks reside off peaks. Axios reported that a Lebanese official told the US that Hezbollah is ready for a full ceasefire with Israel, and Kann News followed that Israel planned a significant strike in Dahiyeh in Beirut, but it was postponed at the last moment due to American intervention. Continuing to add to this, IRNA said that Pakistani Foreign Ministry announced that Iran has called for Pakistan's continued mediation to de-escalate the current situation and support the ceasefire, while adding to the downside was a couple of Truth posts from Trump; 1) Said he had a very productive call with Netanyahu; there will be no troops going to Beirut, and Hezbollah agreed that all shooting will stop, and 2) Talks with Iran are continuing at a rapid pace. As such oil pared from the earlier highs, but still settled notably in the green. WTI traded between USD 88.45-94.78/bbl and Brent USD 92.90-97.79/bbl.

Meanwhile, OPEC+ is reportedly likely to raise output quotas for July by 188k per day at the Sunday meeting, Reuters reported citing sources; seven members are likely to agree, whilst the group-wide policy is exp. to remain steady.

EQUITIES

CLOSES: SPX +0.26% at 7,600, NDX +0.60% at 30,514, DJI +0.09% at 51,084, RUT -0.47% at 2,906.

SECTORS: Technology +2.48%, Energy +1.86%, Financials -0.29%, Industrials -0.45%, Materials -0.58%, Health -1.17%, Consumer Staples -1.29%, Communication Services -1.59%, Real Estate -1.73%, Consumer Discretionary -2.62%, Utilities -3.05%

EUROPEAN CLOSES: Euro Stoxx 50 -0.23% at 6,036, DAX -0.44% at 24,994, FTSE 100 -0.68% at 10,339, CAC 40 -0.45% at 8,147, AEX +0.11% at 1,036, IBEX 35 -0.97% at 18,185, FTSE MIB -0.52% at 49,775, SMI -1.75% at 13,305, PSI -1.27% at 8,961.

STOCK SPECIFICS:

- **Nvidia (NVDA) and Microsoft (MSFT)** unveiled RTX Spark, Windows AI superchip, to bring AI directly to personal computers. As a result, chipmaking competitors QCOM, INTC, and AMD fell, while Cos. who work with NVDA's computer chip gain DELL, HP, ARM.
- **Nutanix (NTNX)** announces Nvidia certification of Nutanix Unified Storage solution
- **Cadence (CDNS)** announces fully autonomous virtual agentic AI design engineer
- **Hewlett Packard Enterprises (HPE)** introduces CPU server with Nvidia Vera CPU.
- **Berkshire Hathaway agreed to buy Taylor Morrison Home (TMHC)** for USD 8.5bln & will pay USD 72.50/shr; closed Fri. at 58.50.
- **FedEx (FDX)** announced the completion of its spin-off of $FDXF, FedEx Freight Holding
- **Yum Brands (YUM)** is in talks to sell its Pizza Hut brand to LongRange Capital
- Barclays initiated coverage at **IBM (IBM)** with an 'Overweight' rating.
- People Inc preparing to buy **MGM Resorts (MGM)** in a deal that values it at over USD 18bln.
- **Summit Therapeutics (SMMT)** phase 2 Chinese trial showed Cos. experimental lung cancer drug reduced the risk of death by 34%.
- **McDonald's (MCD)** announces new strategy to boost sales growth, with proposed restaurant layout changes and aims to capture market share in chicken and beverages, according to Bloomberg
- **Apple (AAPL)** will reportedly introduce a bill-splitting service as part of IOS 27, poised to compete with Splitwise, Tab and Settle Up
- **Dropbox (DBX)** announces USD 900mln share buyback authorisation.

FX

The Dollar was firmer on Monday amid punchy geopolitical rhetoric, as Tasnim reported Iran has stopped exchanging messages with the US via mediators, and that it is to "completely" block the Bab al-Mandab Strait and Strait of Hormuz. Following this, there was more encouraging US/Iran reporting, such as Trump saying talks with Iran are continuing at a rapid pace and that he had a very productive call with Netanyahu. He said Israel agreed there would be no troops going to Beirut and that Hezbollah agreed that all shooting would stop, implementing a ceasefire between the two. There was no Fed speak on Monday, although Powell spoke overnight, with the tier 1 data release being ISM Mfg. PMI - the headline rose to 54.0 from 52.7, above the expected 53, with prices encouragingly dropping to 82.1 from 84.6, and also beneath the forecasted 85.5. Back to former Fed Chair Powell, he warned that the Fed would lose credibility if any President could dismiss its officials over policy disagreements. Powell, who remains on the Fed’s Board of Governors until January 2028, made his first public remarks since being succeeded by Chair Kevin Warsh, as the Supreme Court deliberates the fate of Fed Governor Lisa Cook, whom President Trump has sought to fire.

G10 FX was predominantly in the red, and weighed on by weakness in the Greenback, with only the Pound managing to eke out marginal gains. For the Pound, earlier strength was attributed to reporting over the weekend, suggesting unofficial UK PM candidate Burnham was eyeing right-leaning Home Secretary Shabana Mahmood as potential Chancellor. Mahmood has previously defended efforts to reduce the amount spent on welfare, and is known for a right-leaning stance on immigration. In terms of European S&P Global Mfg. PMI's, French, German, EU, and UK Final May prints were better than expected.

Swissy and Kiwi were the laggards, with the latter hit as domestic participants are away on holiday, but also hit again on gains in energy and pressure in the metals space.

JPY saw losses with USD/JPY hitting a peak of 159.77 as participants look at the round 160 as a potential level for Yen intervention.